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FM AMEMBASSY MANAMA
TO RUEHC/SECSTATE WASHDC PRIORITY 7163
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHEG/AMEMBASSY CAIRO PRIORITY 0965
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0013
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0100

S E C R E T SECTION 01 OF 02 MANAMA 000802

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PASS TO ISN/CPI, T, EEB/ESC/TFS, NEA/ARP, S/CT
TREASURY FOR KHECHT AND U/S LEVEY
CAIRO FOR CSEVERENS

E.O. 12958: DECL: 08/20/2017

TAGS: KNNP PREL PARM MNUC ECON IR BA REGION

SUBJECT: TREASURY U/S LEVEY CAUTIONS BAHRAIN CENTRAL BANK
GOVERNOR ON IRANIAN FINANCIAL TACTICS

REF: MANAMA 747

Classified By: Charge D'Affaires Christopher Henzel, reasons 1.4 (b) and (d).

SUMMARY

¶1. (S) Treasury Undersecretary Stuart Levey and Policy Advisor Kristen Hecht met August 8 with Central Bank of Bahrain (CBB) Governor Al Miraj to emphasize U.S. concerns that Iran may be seeking to develop means to evade the financial sanctions imposed under UNSCRs 1737 and 1747. U/S Levey cautioned that financial institutions in Bahrain would need to exercise heightened scrutiny of all Iran-related transactions to ensure that Iran could not exploit Bahrain's financial sector. Governor Al Miraj pledged Bahrain's complete enforcement of any UN sanctions directed against Iran. End Summary.

GUARDING AGAINST IRANIAN ABUSE

¶2. (S) Treasury U/S Stuart Levey and Policy Advisor Kristen Hecht, accompanied by the Charge and Econoff August 8 emphasized to CBB Governor Rashid Al Miraj and Deputy Governor Anwar Khalifa Al Sadah U.S. concerns that Iran may be seeking to develop means to evade the financial sanctions already imposed under UNSCRs 1737 and 1747. He said that as the UN began imposing sanctions against named state-owned Iranian entities, the Central Bank of Iran (CBI) and Iranian commercial banks started providing alternative financial accommodation. For example, immediately prior to being designated under UNSCR 1737, Bank Sepah transferred large sums to CBI and Iranian commercial accounts. In some instances, these funds had been successfully frozen. Governor Al Miraj inquired whether maintaining deposits or bank accounts for the CBI could be problematic for Bahrain. U/S Levey urged the Governor to exercise heightened vigilance of the CBI's accounts, and asked Al Miraj to examine these accounts for UNSCR sanctions evasion, specifically on behalf of Bank Sepah.

¶3. (C) U/S Levey acknowledged that Bahrain had thus far cultivated a reputation as a highly respected financial jurisdiction and had displayed regional leadership in the field of financial regulatory enforcement. As an important and growing financial center in the region, it was critical

for financial institutions operating in Bahrain to exercise heightened scrutiny of all Iran-related transactions to ensure that Iran could not successfully take advantage of Bahrain's financial sector.

¶4. (C) Governor Al Miraj responded that the CBB was very much aware of the concerns surrounding Iranian state-owned banking institutions and the need for vigilance in maintaining the integrity of Bahrain's financial reputation in the face of any possible abuse, Iranian or otherwise. He said that CBB officials had vowed in the press to ensure complete enforcement of any UN sanctions directed against Iran. He added that, even prior to implementation of these sanctions, Bahrain had always been cautious of any financial dealings with Iran. Al Miraj asked to be kept apprised of any future developments or concerns.

OFAC SCRUTINY OF AIC

¶5. (C) On the Arab Investment Company (AIC), U/S Levey informed the Governor that the AIC had been working with Treasury's Office of Foreign Assets Control (OFAC) to review transactions that passed through the U.S. financial system, violating the USG's sanctions against Sudan. The current political dynamic in the U.S. regarding Sudan could garner significant negative attention to the AIC if OFAC imposes sanctions on them. He pointed out that the AIC is one of the few significant financial institutions in the world engaged in a substantial volume of financial transactions with the Government of Sudan.

¶6. (U) This message was cleared by U/S Levey's office.

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HENZEL